U.S. Economic Dashboard

NOTE: Late November 2013 data (blue) compared with early April 2014 (orange).
The Manufacturing and Nonmanufacturing ISM Indexes Both Ticked Upward in March

Expansion average = 54.5

ISM Manufacturing
ISM Nonmanufacturing

Mar.

Index, 50+ = expansion

Latest U.S. Jobs Report Confirms That Weak December and January Gains Were Aberrations

Monthly change, thousands

Latest U.S. Jobs Report Confirms That Weak December and January Gains Were Aberrations

Monthly change, thousands

Initial Claims and Unemployment Rate Move Lower

4-week moving average, thousands

Oct. '09
10.0

Unemployment rate

Mar. 6.7

6.5% threshold

Initial claims for unemployment insurance

Apr. 5 316

The U.S. Credit Markets Are Awash in Liquidity

- As of March 2014, the Fed’s par holdings of fixed-rate MBS exceeded 30 percent of the outstanding stock of those securities.

- The Fed owns just shy of 24 percent of the stock of Treasury coupon securities.

- Having purchased Treasuries further out on the yield curve, and done so in size, the Fed has driven nominal interest rates across the credit spectrum to lows not seen in over a half century.

- This has allowed U.S. businesses to restructure their balance sheets and creatively manage their earnings.
Corporate Bond Yields and Spreads Remain Low

Percent

Junk bond / 7-year Treasury spread

Average spread: 1997-2007

Junk bond yield

SOURCES: Moody's; Bank of America Merrill Lynch; Federal Reserve Bank of Dallas.
Equity Prices Have Soared

S&P 500 Stock Index

SOURCE: Standard & Poor's.
NOTE: S&P close at 676.53 on March 9, 2009.
Inflation Is Still Below 2 Percent

"Mandate-consistent level" = 2%

Headline PCE
Trimmed-mean PCE

2010 2011 2012 2013 2014

12-month percent change

0.0 0.5 1.0 1.5 2.0 2.5 3.0 3.5

April 2013
1.3
Feb 2014
1.3

0.9

Texas Economic Update

- Texas employment grew 2.5% in 2013.
  - Added 278,000 jobs

- In 2014, Texas grew 2.9% through February.
  - Added 54,500 jobs

- Manufacturing lost jobs, but output expanding.
- Construction and energy came in strong.
- Expect 2.8% growth for the year.
Texas’ Employment Growth Bests Nation’s

Year-to-date: Feb/Dec

U.S. vs. Texas: Dec/Dec, SAAR

-2.6 -3.5
0.5 0.8 1.6 1.7 1.7 1.3
2.1 2.3 3.4 2.5

2005 2007 2009 2011 2013

2014 Employment Growth by Sector

2014 total jobs gained in Texas = 54,500

NOTES: Categories are North American Industry Classification System supersectors. Data seasonally adjusted. 
SOURCE: Federal Reserve Bank of Dallas.
Texas’ Unemployment Rate Lower Than Nation’s’s

Percent, SA

Texas Manufacturing and Services Expanding

NOTE: Gray bar indicates Texas recession.
SOURCE: Federal Reserve Bank of Dallas.
Residential Home Construction Has Picked Up

Index, SA, 5MMA
Jan. 2008 = 100

Multifamily Permits
Residential Housing Starts
Single-Family Permits

SOURCES: Census Bureau; Bank of Tokyo-Mitsubishi.
Thriving Ports

- Texas is top exporting state in nation: $280 billion in 2013.
  - Inland ports handle 46 percent; seaports 54 percent

- Port of Houston is nation’s busiest seaport.
  - First in vessel calls and foreign tonnage, 2nd in total tonnage
  - Container tonnage small but rising, up 18 percent in last 5 years
  - According to the Port of Houston Authority, port operations directly support more jobs than largest peers

<table>
<thead>
<tr>
<th>Direct jobs</th>
<th>State &amp; local tax revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Houston</td>
<td>$4.5 billion</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>$5.1 billion</td>
</tr>
<tr>
<td>Oakland</td>
<td>$462.7 million</td>
</tr>
</tbody>
</table>

Texas Export Growth

Index, SA Real Dollars
Jan. 2000 = 100

- Other
- Mexico
- Canada
- European Union
- Asia, excl. China
- Latin America, excl. Mexico
- China

2013:Q4

80 90 100 110 120 130 140 150 160 170 180 190 200 210 220 230 240 250 260

- +24% since peak
- +2%

Texas

U.S. minus Texas

SOURCES: Census Bureau; World Institute for Strategic Economic Research; Federal Reserve Bank of Dallas.
Petroleum Exports Surge

Index, Q1 2000 = 100
Real Dollars, SA

SOURCE: Wisertrade.
Dallas Fed Forecasts Continued Growth

Job Growth, Y/Y Percent Change

- Actual
- Dallas Fed
- Consensus of Forecasters

SOURCES: Western Blue Chip Economic Forecast; Federal Reserve Bank of Dallas.
Job Growth by Wage Quartile, 2000-12

NOTES: Calculations include workers over age 15 with positive wages and exclude the self-employed. Wage quartiles constructed based on U.S. 2000 wage distribution.
Texas Metro Business-Cycle Indexes
February 2014

NOTE: The Indexes summarize movements in local employment, unemployment, wages and retail sales.
SOURCE: Federal Reserve Bank of Dallas.
Summary

• The U.S. economy is picking up following a harsh winter.

• Texas employment growth accelerated in 2014.
  – 2.9% growth
  – 55,400 jobs
  – Expect 2.8% growth for the year.
Richard W. Fisher
President and CEO
Federal Reserve Bank of Dallas

Austin, Texas
April 16, 2014